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Article

Cash Management and Financial Sustainability of Non-Financial Firms Listed in Stock Exchanges in East Africa

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Abstract: The study sought to assess the effect of cash management on financial sustainability of non-financial firms listed in East Africa's stocks markets. The study was anchored on trade-off theory of liquidity and the Baumol model of cash management. The study was guided by exploratory correlational research design. The target population was all 47 listed non-financial firms in East Africa's stocks markets (Uganda, Kenya, Rwanda and Tanzania). The study collected secondary data obtained from the audited financial returns of the individual listed firms for a period of ten years from 2014 to 2023. Panel data collection sheet was used to collect the secondary data. The collected data was analysed using Stata software via descriptive statistics (mean, standard deviation, percentages) and inferential statistics (ANOVA, Regression coefficients, R-square). The analysed data was presented using tables and figures. The findings revealed that cash management had a significant effect on financial sustainability of the listed firms. The study found wide disparities in cash management among listed non-financial firms in East Africa, with cash conversion periods ranging from negative to over 700 days. Trend analysis revealed periods of inefficiency but recent improvements, while financial sustainability remained volatile. Regression results showed cash management significantly explained 41.2% of financial sustainability variation. The study concludes that efficient cash management is critical for sustaining firms' operations. It recommends strengthening receivables collection, optimizing inventory turnover, and leveraging supplier credit prudently to enhance liquidity and long-term financial sustainability.

Keywords: Cash Management, Working Capital Management, Cash Conversion Cycle, Financial Sustainability. Listed non-financial firms.

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1. Introduction

Background of the Study

The modern business ecosystem is getting more dynamic characterized by increased competition orchestrated by among other factors, continued globalization and interconnectivity of the world into a global village [1]. This is necessitating the modern business enterprises to not only focus on domestic markets, but analyse global and international dynamics for more comprehensive and far-reaching decision-making [2]. In most countries, listed companies are majorly listed in more than one stocks market as a response to growing international business and the need to take advantage of expanding bilateral and multilateral trade agreements among countries [3]. According to Evbayiro-Osagie and Enadeghe, as more stocks markets across the globe are targeting companies from more than one country and continued emergence of multinationals with listings

across several countries, it becomes instrumental for empirical studies to focus on more than one stock market to establish more comprehensive approach of the entire ecosystem [4].

One the other hand, as businesses are struggling to keep pace of the over-changing business environment, working capital is becoming an instrumental driver of business continuity and overall sustainability [5]. One of the essential aspects of working capital management is cash management, which according to Sorin and Nucu is the process developing, aligning and implementing set of policies and operational practices that govern a firm's cash inflows, outflows and short-term liquidity (cash balances, receivables, payables, short-term borrowing and investment of idle cash) [6]. As noted by Mandalaputri, Fettry, and Felisia, effective cash management is crucial in reducing liquidity risk, lowering transaction and financing costs, and at the same time supporting day-to-day operations and investment opportunities [7].

According to Okoth, Githui, and Osoro, cash management plays a crucial role in enabling firms to monitor, regulate and optimize their flow of cash including receipts, payments, and cash reserves [8]. Among non-financial firms listed on stock exchanges, these practices are crucial because cash constraints can rapidly impair operations and erode firm value. As noted by Muturi, efficient cash management not only prevents insolvency but also allows firms to seize investment opportunities, reduce reliance on costly external borrowing, and maintain investor confidence. Empirical evidence highlight that inadequate liquidity planning can push even profitable firms into financial distress, underscoring the need for listed companies to adopt strategic approaches to managing cash as part of their overall financial management framework [9].

Financial sustainability goes beyond short-term profitability metrics to encompass a firm's ability to maintain liquidity, manage debt, and persist through adverse conditions while continuing to generate shareholder value. According to Dewantara, while traditional measures of firm performance such as profitability, return on equity, and earnings per share remain important, contemporary corporate finance emphasizes financial sustainability as a superior long-term objective [10]. Financial sustainability refers to a firm's ability to meet obligations, maintain solvency, and generate value consistently across economic cycles. Unlike short-term financial performance, which may fluctuate due to market volatility, financial sustainability signals resilience, stability, and the capacity to withstand shocks while pursuing growth opportunities [11]. Modern firms are increasingly evaluated not only on their profitability but also on their ability to maintain adequate liquidity buffers, manage debt prudently, and safeguard continuity for stakeholders [9]. This perspective is especially vital in emerging economies, where limited access to external financing amplifies the importance of internally generated funds and disciplined cash management practices. Thus, financial sustainability offers a more holistic measure of corporate health and aligns with shareholder and stakeholder expectations of long-term value preservation. In East Africa, instances such as the Covid-19 pandemic exposed firms' vulnerabilities, some firms achieved improved working capital metrics (e.g., shorter receivable periods, lower inventory) but still suffered declines in overall profitability due to poor market demand [12]. Such evidence suggests that profit alone may misrepresent the long-term health of a firm. Studies in Kenya increasingly emphasize free cash flow as a mediator: for example, among commercial state corporations, greater free cash flow resulting from efficient working capital practices significantly improves financial performance [13]. Thus, sustainability, which encompasses liquidity, risk resistance, and consistent value creation, is becoming central to evaluating firm wellbeing in modern emerging markets.

In East Africa, non-financial firms listed on securities exchanges in Kenya, Uganda, Rwanda and Tanzania operate in environments characterized by limited capital market depth, high borrowing costs, and macroeconomic volatility. These conditions heighten the role of effective cash management and prudent liquidity planning in ensuring financial sustainability. Many of these firms face challenges such as fluctuating exchange rates, inflationary pressures, and delayed receivables, which can undermine short-term liquidity and threaten long-term viability if not properly managed. Studies of listed firms

in the region, particularly on the Nairobi Securities Exchange, indicate that working capital efficiency significantly influences profitability and firm value, but sustainable financial health depends more critically on how liquidity practices are integrated into strategic decision-making [9]. As regional economies pursue integration and capital markets gradually deepen, the ability of non-financial listed firms to maintain financial sustainability through effective cash management will determine their competitiveness, resilience, and contribution to economic growth.

Statement of the Problem

In an ideal business environment, non-financial firms listed on East African stock exchanges would maintain strong financial sustainability whereby they are able to generate sufficient internal cash flows, hold adequate liquidity, and avoid financial distress, thus enabling them to meet short-term obligations, invest in growth, and endure economic shocks [14]. However, this is often not the case, whereby evidence from across the region shows notable instances of financial distress, where in Kenya for instance, at least six non-financial listed firms were insolvent or liquidated over a ten-year period (2009-2018), indicating persistent failures in sustaining operations despite being public companies. In addition, studies of listed manufacturing firms in Tanzania report significant negative effects of long inventory holding periods and receivables on profitability and return on assets, suggesting inefficiencies in converting working capital into cash. These facts reflect that many listed non-financial firms are exposed to liquidity risks, working capital mismanagement, and ultimately weak financial sustainability.

Empirical research highlights that cash management as part of working capital management (WCM) plays a central role in determining financial success. A study by Magembe (2023) on manufacturing firms listed on the Dar es Salaam Stock Exchange in Tanzania (2003-2021) cash management as a key component of WCM significantly influence performance measures such as ROA, ROCE and ROE. While focusing on listed manufacturing firms in Kenya, Waema and Nasieku established that cash management had a significant impact on financial performance of the listed firms [15]. This is also stressed by Laghari, Ahmed, and López who established that cash management is a strong component of working capital management that significantly influences financial success [16]. These studies underline that good cash management is not merely operational but foundational to ensuring listed non-financial firms achieve continued profitability and financial resilience. However, these studies fail to address significant gaps of how cash management contributes to financial sustainability among non-financial firms in East Africa, particularly when sustainability is conceptualized as more than just profitability. Further, much of the literature is country-specific (Kenya or Tanzania), and less is known about cross-country comparisons including Uganda; second, many studies focus on financial performance (ROA, ROE, profit margins) rather than financial sustainability as a separate construct, which is the ability to remain solvent and resilient over time in face of shocks, liquidity stress, and market volatility. This study therefore seeks to fill these gaps by assessing the effect of cash management on financial sustainability of non-financial firms listed in the East Africa.

Objectives of the Study

The study sought to assess the effect of cash management on financial sustainability of non-financial listed firms in East Africa. To achieve this objective, the study sought to answer the following research questions:

1. What is the current status of cash management among non-financial firms listed in East Africa?
2. What is the trend of financial sustainability among non-financial firms listed in East Africa for the period between 2014 and 2023?
3. What is the relationship between cash management and financial sustainability among non-financial firms listed in East Africa?

Research Hypotheses

H0: Cash management has no significant effect on financial sustainability of non-financial firms listed in stock exchanges within East Africa.

Ha: Cash management has a significant effect on financial sustainability of non-financial firms listed in stock exchanges within East Africa.

2. Materials and Method

Literature Review

Theoretical Review

Trade-Off Theory of Liquidity

The trade-off theory of liquidity posits that firms balance the costs and benefits of holding liquid assets to achieve an optimal liquidity position. On one hand, holding higher levels of cash and other liquid assets provides benefits such as reducing the risk of financial distress, ensuring smooth operations, and allowing firms to take advantage of investment opportunities [17], [18]. On the other hand, excessive liquidity is costly, as idle cash earns little return and could otherwise be deployed in profitable ventures, creating an opportunity cost for the firm. The theory therefore argues that managers must strike a balance between precautionary liquidity and efficiency to sustain long-term value creation.

In the context of non-financial firms listed in East Africa, the trade-off theory of liquidity is particularly relevant because these firms often operate in markets characterized by limited access to external financing, high borrowing costs, and macroeconomic volatility [14]. Maintaining too little liquidity exposes them to insolvency risks, while holding excessive cash reflects inefficient use of scarce resources. By anchoring this study, the theory provides a robust framework for analyzing how cash management practices; such as managing the cash conversion cycle, receivables, and payables affect the financial sustainability of listed firms in Kenya, Uganda and Tanzania.

The Baumol Model of Cash Management

The Baumol Model of Cash Management is a classical framework that applies the Economic Order Quantity (EOQ) concept to managing a firm's cash balances [19]. The model assumes that firms face predictable cash inflows and outflows, and it seeks to minimize the total cost of holding and replenishing cash. Specifically, it identifies a trade-off between the transaction costs of converting securities or other assets into cash, and the opportunity costs of holding idle cash that earns little or no return. The model provides an analytical basis for determining the optimal cash balance that minimizes these combined costs, ensuring that firms neither hold excessive liquidity nor suffer from shortages that disrupt operations.

For non-financial firms listed in East Africa, the Baumol Model offers important insights into efficient cash management. Although its assumptions of predictable cash flows and stable interest rates may not always hold in volatile emerging markets, the model emphasizes the need for structured cash policies to enhance liquidity efficiency [20], [21]. By guiding firms on optimal cash holding strategies, the Baumol Model supports financial sustainability by reducing financing pressures, ensuring liquidity adequacy, and enhancing the capacity of listed firms in Kenya, Uganda and Tanzania to withstand economic shocks while maintaining shareholder value.

Conceptual Framework

The study's conceptual framework is as shown in Figure 1.

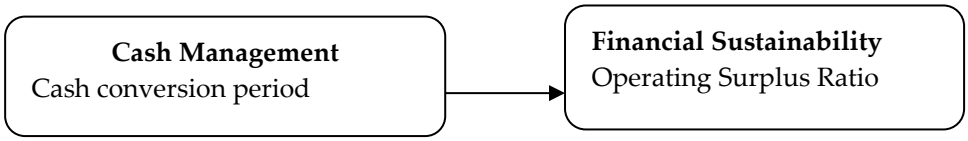

Figure 1. Conceptual Framework

Review of Empirical Literature

Sathyamoorthi and Wally-Dima did a study on the working capital management and performance of domestic companies in Botswana [22]. The study aimed at establishing the role of cash conversion cycle as an aspect of working capital management on the performance of Botswana companies. The study adopted a cross-sectional research design

and had a sample of 219 respondents all drawn from the domestic firms in Botswana. The study established that the efficient of working capital management was majorly determined by the effectiveness of cash conversion cycles. According to Sathyamoorthi and Wally-Dima cash conversion cycles enabled the companies to have better and reliable flow of finances through well determined and monitored operational cycles where timeliness is put as the key consideration as far as conversion of current assets into cash is concerned [22].

In another study, Award and Al-Ewesat focused on establishing the efficient of management of working capital management among firms in the Palestinian exchange [23]. The aim of the study was to establish the efficient of cash collections and conversions as a strategy of streamlining and availing working capital for the firm. The study had a sample of 92 respondents drawn from the Palestinian firms listed at the stock exchange in the country and used a descriptive survey research design. The findings showed that there was a strong relationship between cash collection cycles and performance of the firms listed in the Palestinian stock exchange. According to Award and Al-Ewesat, more cash collection cycles and strategies were put across by the best performing companies at the exchange which saw them dominate their top positions in the market [23]. In this regard, firm performance draws extensive dependence of how frequent the debts are converted into cash similar to current assets which when in their current state cannot serve much to help the company perform unless they are converted into cash. Award and Al-Ewesat noted that better cash conversion strategies enable the companies to have reliable liquidity that is able to pay the short term liabilities as well as settling overdue long-term debt. This to a great extent helps save the image of the company, its reputation and future businesses and sustainability [23].

Elsewhere, Alipour carried out a study on the influence of cash conversion cycles on the firm profitability. The scholar aimed at establishing the role played by quick assets ratios and current ratios as the aspects of cash conversion cycles on profitability of corporates. The study was based in Iran and utilized the survey research design to carry out the primary research. The sample for the study was 107 respondents and it was drawn from corporates in Iran. The study established that cash conversion cycle was a key determinant of firm profitability in that it enhanced the ability of the firm to cater for its financial needs through provision of mechanisms to raise liquidity ratios. Through the liquidity ratios, the firm is able to obtain a better performance metric through financing of investments and other financial liabilities which in many cases hold the firm hostage thus preventing it from performing better [24].

Research Methodology

Research Design

The study employed an explanatory correlational research design to investigate the effect of cash management on the financial sustainability of non-financial firms listed in East Africa. This involved using both explanatory and correlational research approaches. The explanatory design was considered appropriate because the study sought not only to establish the existence of relationships but also to explain the extent to which cash management practices influence financial sustainability. A correlational approach was employed to measure the strength and direction of associations between cash management indicator (cash conversion period) and financial sustainability measures. Given the availability of firm-level financial statements over several years, the study utilized a panel design, combining time-series and cross-sectional data to enhance robustness and reliability of results. This design was suitable as it allowed the study to capture both firm-specific dynamics and temporal variations in financial sustainability outcomes, thereby providing a comprehensive understanding of the phenomenon.

Target Population and Sampling

The target population for this study comprised of all the non-financial firms listed firms in East Africa. A total of 47 firms were targeted, where 36 firms were drawn from Nairobi Securities Exchange (NSE), 4 from the Uganda Securities Exchange, 1from the Rwanda Stock Exchange and 6 from Dar es salaam Stock Market. The study employed census where all the targeted firms were surveyed.

Data Collection

The study employed secondary panel data which was collected using a data collection sheet. Panel data is a series of multidimensional data where behaviours of entities are observed over time. The data focused on a period of 10 years ranging from 2014 and 2023. This enabled the study to obtain a most recent framework of cash management and financial sustainability of the listed non-financial firms in East Africa.

Data Analysis

The collected data was analysed using quantitative approaches via Stata Software. Descriptive and inferential statistics were used, where key descriptive statistics including mean scores, standard deviations and percentages were used, while key inferential statistics such as correlation coefficients, P-values and regression coefficients were used to test the hypotheses. The findings were presented using figures and frequency tables.

3. Results and Discussion

Descriptive Statistics for Cash Management in Listed Non-Financial Firms

The findings on Table 1 show that the minimum cash conversion period (CCP) was -536.44 days. A negative CCP typically as expounded by Mbathi, Mwambia, and Makena implies that the firm receives cash from sales before paying its suppliers, possibly benefiting from extended credit terms [25]. While this could indicate excellent cash management practices by certain listed non-financial firms, it is also an indication of long period of time taken to receive payments, which sometimes forces firms to restructure their debts.

The maximum cash conversion period was 711.64 days, showing that some of the listed non-financial firms took almost two years to convert their inventory and receivables into cash. This suggests that these firms may be inefficient in managing cash flows, leading to liquidity issues and potentially harming financial sustainability. The average CCP was 19.20 days, which is an indication that, on average, the listed non-financial firms took about 19 days to convert their resources into cash. The positive skewness of 0.596 suggests that the distribution of CCPs is moderately skewed to the right. This implies that most firms have a CCP below the average of 19 days, but a few firms with high CCPs push the average upwards. The kurtosis of 3.478 which is greater than 3 indicates that the distribution has heavier tails and is more peaked compared to a normal distribution (leptokurtic). This suggests that while most firms have CCPs near the mean, there are a few extreme cases with very high or very low CCPs.

The findings generally indicate a highly varied cash management landscape among listed non-financial firms. The mean CCP of 19.2 days shows that, on average, firms convert resources to cash relatively quickly. However, the wide standard deviation and extreme minimum and maximum values indicate substantial disparities. The findings concur with those of Yilmaz and Nobanee who indicated that non-financial firms with negative CCPs may be in a favorable cash flow position, likely benefiting from good relationships with suppliers or effective cash management strategies, but when the negative CCPs goes extreme like in this case, it might imply that the firms are taking more time to convert their investments into cash flow but taking more time to pay their suppliers [26]. On the other hand, firms with very high CCPs (up to 711 days) may face liquidity challenges, which could negatively impact their financial sustainability. The positive skewness and high kurtosis also suggest that while most firms have a reasonable CCP, there are a few outliers experiencing significant delays in converting sales into cash. According to Farhan et al, efficient cash management, as reflected in a shorter CCP, is crucial for enhancing financial sustainability, as it ensures liquidity and the ability to meet financial obligations. Conversely, longer CCPs could increase the risk of cash flow problems, making financial sustainability more challenging for certain firms [27].

Table 1. Descriptive Statistics on Cash Management

Variable	N	Min	Max	Mean	Std. Dev.	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Cash Conversion Period (CCP)	470	-536.44	711.64	19.2042	170.737	.596	.129	3.478	.256

Trend Analysis for Cash Management in Listed Non-Financial Firms

As the results portray (*Figure 2*), the cash conversion period in 2014 was at about 59 days, and indication that the listed non-financial firms took just under two months to convert their cash investments in inventory and receivables into actual cash flow. This suggests relatively efficient management of working capital, where the non-financial listed firms are able to quickly turn over inventory, collect from debtors, and pay their creditors within a reasonable time frame. However, in 2015, there was a deterioration as the CCP surged to about 530 days, and in 2016, it worsened further to 781 days. This means that the listed firms took over two years to convert their investments into cash during 2016, which points to major inefficiencies in cash flow management. According to Sogomi, Patrick, and Kamau, such a high CCP could result from slow inventory turnover, delayed debt collection, or extended payment periods to suppliers [28]. During this period, the companies are likely to face severe liquidity issues, as they take too long to free up cash for operations. As noted by Mandipa and Sibindi, CCPs extending to over six months reflect extreme inefficiency in cash management, which could potentially be due to external factors (economic conditions, industry challenges) or internal inefficiencies (poor inventory management, credit policies) [29].

In 2020, the CCP further decreased significantly showing continuous improvement in cash management, while in 2021, the CCP dropped to further to the lowest positive value in the entire period, indicating highly efficient cash management. At this point, the companies were converting their working capital into cash in just over a month, enhancing their liquidity for seamless operations. The findings portray that in 2022, the CCP turned negative, and in 2023, the CCP further declined. A negative CCP means that the companies were receiving cash from sales before they had to pay their suppliers. In essence, the companies were being funded by the creditors, as it they able to collect from customers faster than they needed to pay their suppliers. According to Altaf (2024), while a minimal cash conversion cycle may imply excellent control over working capital, it may be as a result of change of terms where customers are expected to even pay before deliveries and credit sales minimized. Hidayat and Dewi noted that negative CCPs may not necessarily be freeing up cash for other investments and reducing the need for external financing, but could be a sign of stringent measures to debtors that over time might affect their relationship with the organization [30].

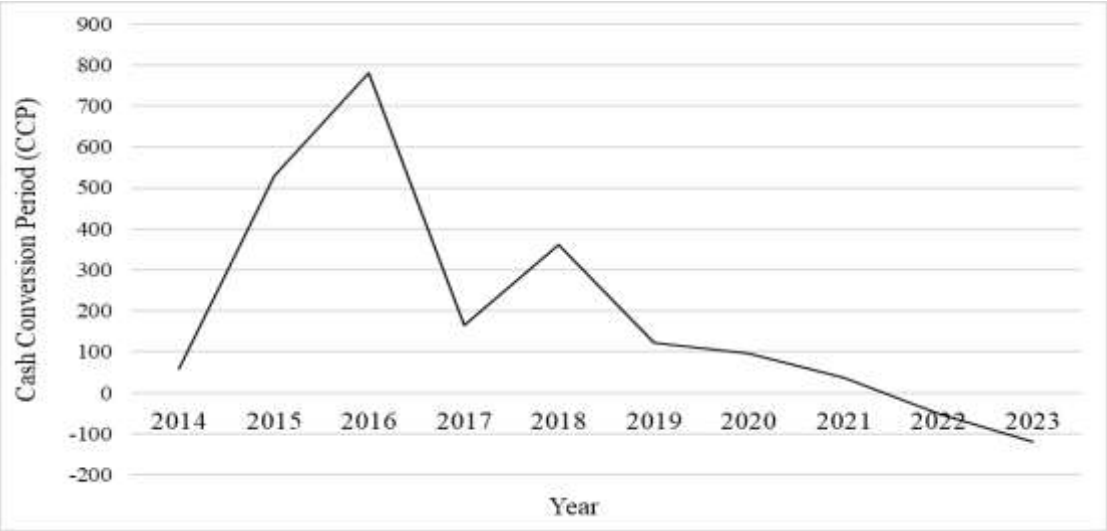

Figure 2. Trend Analysis for Cash Conversion Period

Trend Analysis for Financial Sustainability in Listed Non-Financial Firms

The financial sustainability is a measure of how well a firm can steadily and consistently maintain its operations while generating adequate sales and profits to meet its financial needs for a long foreseeable period. From the trend analysis results shown in Figure 3, the operating surplus ratio of the listed non-financial firms exhibits a downward trend from 2014 to 2023, with significant fluctuations along the way. In 2014, firms had a strong operating surplus ratio of 1.000, indicating robust financial health. However, from 2015 onwards, the ratio consistently declined, reaching its lowest point in 2019 at 0.363. This suggests that firms were increasingly struggling to maintain sufficient operating surpluses, which could reflect rising operational costs, declining revenues, or inefficiencies.

Despite this decline, a recovery begins in 2020, with the ratio rising to 0.531 by 2022 and stabilizing at 0.533 in 2023. While this improvement points to efforts by firms to restore financial sustainability, possibly through cost-cutting measures or operational efficiency improvements, the ratio remains significantly below the earlier years. A lower operating surplus ratio signals challenges in maintaining financial sustainability, as firms may find it difficult to reinvest in growth or buffer against economic downturns. This trend underlines the importance of effective working capital management and firm size as potential moderators. Larger firms may be better positioned to withstand these fluctuations, while smaller firms could face greater financial vulnerability. The observed recovery suggests that firms are adapting to their challenges, but achieving higher financial sustainability will require continued focus on optimizing operations and enhancing revenue streams.

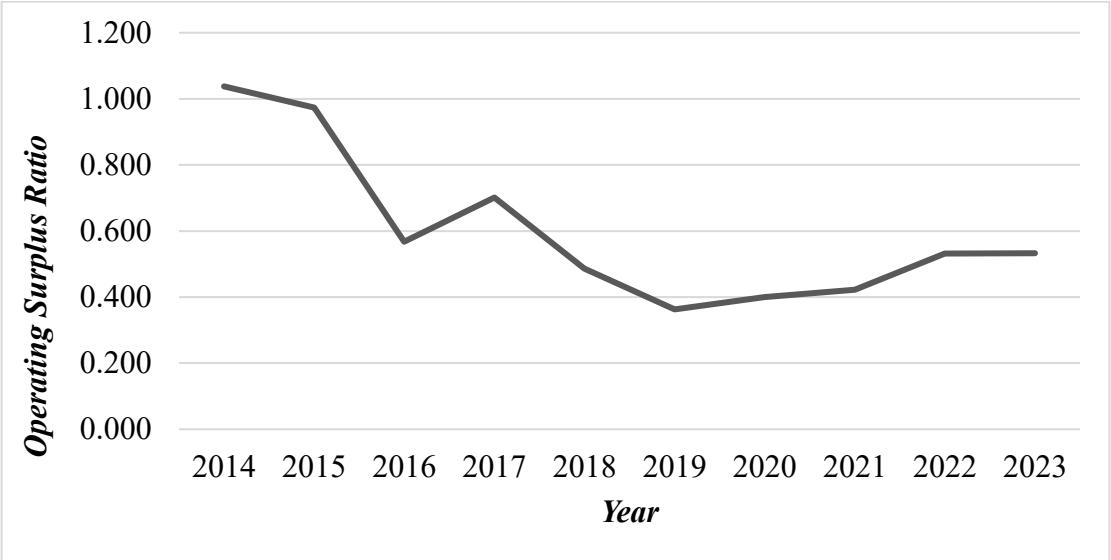

Figure 3. Trend Analysis for Financial Sustainability

Hypotheses Testing

The study tested the following hypotheses:

Ho: *Cash management has no significant effect on financial sustainability of non-financial firms listed in stock exchanges within East Africa.*

HA: *Cash management has a significant effect on financial sustainability of non-financial firms listed in stock exchanges within East Africa.*

The hypothesis was tested using the model illustrated below:

$$Y = \alpha + \beta_1 X_1 + e$$

The results are as shown in Table 2. As the results portray, the F-statistic for the model was 8.359 at a significant level of 0.0000<0.05. This is an indication that the model was statistically significant to predict the relationship between cash management and financial sustainability of the listed non-financial firms in East Africa. Further, the R-square (R^2) for the model was 0.4117, implying that cash management explained up to 41.2% of variation in financial sustainability of the non-financial firms listed in East Africa. The Beta coefficient (β_1) for the variable (cash management) was 0.165, an indication that a unit change of cash management would influence financial sustainability of the non-financial firms listed in East Africa by 0.165 units. The P-value for cash management was 0.0001<0.05, an indication that cash management significantly influenced financial sustainability of the non-financial firms listed in East Africa at a 95% confidence level. This is also elaborated by the t-value of 15.619>1.96, an indication that indeed, cash management significantly influenced financial sustainability of firms listed in East Africa.

Based on this finding, the study rejected the null hypothesis one (H_{01}) and concluded that cash management has a significant effect on financial sustainability of non-financial firms listed in East Africa. The findings concur with theoretical foundations and empirical literature in the study, including the Baumol model which upholds that firms are capable of predicting their cashflows and expected receivables thus make proper planning on how to utilize such cash to optimize their operations and steer continued performance [19]. As outlined by Yilmaz and Nobanee, effective cash management where the firm ensures shorter cash conversion cycles has a significant impact on not only return on assets, but also on operating surplus where it ensures that the firm is capable of meeting its expenses from generated revenue for a foreseeable future [31].

Table 2. Effect of Cash Management on Financial Sustainability

Dependent Variable: Financial Sustainability			**Sample: 2014 2023**	
Cross-sections included: 47			Periods included: 10	
Total panel observations: 470				
Linear estimation after one-step weighing matrix				
Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
Constant	0.124893	0.001541	81.04576	0.0000
Cash Management (X_1)	0.165019	0.010565	15.61933	0.0001
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-Squared	0.411726	Mean dependent var		0.450351
Adjusted R-Squared	0.361945	S.D. dependent var		0.309013
S.E. of regression	0.193733	Sum squared resid		17.07720
F-Statistic	8.359500			
Prob (F-statistic)	0.00000			
Unweighted Statistics				
R-squared	0.396160	Mean dependent var		0.124076
Sum of squared resid	17.15177			

Discussion of Findings

The study examined the role of cash management in ensuring the financial sustainability of non-financial firms listed in East Africa. The findings highlighted significant variations in how firms managed their cash flows, with some companies converting cash efficiently, while others experienced prolonged delays. A key observation was that some firms received cash from sales before paying their suppliers, which can be an indicator of strong cash management practices. However, for firms that took an extended period to convert their inventory and receivables into cash, liquidity challenges were evident. The data also showed that, on average, listed firms managed to convert cash within a reasonable timeframe, though the existence of firms with extreme delays suggested inefficiencies in working capital management. Over the years, there were fluctuations in how efficiently firms managed cash. Initially, cash conversion was relatively stable, but this deteriorated significantly in some years, where firms took unusually long to free up cash for operations. These delays could have resulted from slow inventory turnover, ineffective debt collection, or extended credit periods granted to customers. However, improvements in later years indicated that firms took deliberate steps to enhance their liquidity management, leading to shorter cash conversion periods. The most recent trends even showed instances where companies were receiving cash from customers before making payments to suppliers, signalling a shift in cash flow strategies. According to Ozili and Iorember, shorter CCPs enhances financial sustainability by reducing reliance on external financing and improving the company's ability to meet its obligations in a timely manner, but highly depends on how the organization is managing other aspects of working capital management [32].

4. Conclusion

The study confirmed that cash management had a significant impact on financial sustainability. It was concluded that firms with better cash management practices were more likely to maintain operational efficiency, reduce reliance on external financing, and meet financial obligations smoothly. However, excessive delays in cash conversion posed risks, including cash flow shortages and operational disruptions. The study concludes that cash management plays a crucial role in financial sustainability of non-financial firms listed in East Africa. While an efficient CCP enhances liquidity, reduces reliance on

external financing, and ensures timely financial obligations, the extreme variability observed across firms indicates that some companies struggle with cash flow inefficiencies.

Recommendations

It is essential for the non-financial firms listed in East Africa through their management to adopt more effective cash flow strategies by improving debt collection, optimizing inventory turnover, and negotiating better payment terms with suppliers. Leveraging technology, such as automated financial tracking systems, can further enhance cash management efficiency. Regulatory bodies could also support firms by providing guidelines on best practices in working capital management. By implementing these strategies, firms can strengthen their financial stability and resilience in the long term.

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